

Finance and Resources Committee

1000, Thursday, 10 October 2019

Communities and Families Learning Estate

Executive/routine Wards Council Commitments	Executive All 28
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1. Recommendations

- 1.1 It is recommended that Committee:
- 1.2 Approve that the Executive Director of Communities and Families be authorised to sign on behalf of the Council the Design and Build Development Agreement (“the Contract”) with Hub South East Scotland Ltd for the construction of the replacement Castlebrae High School and any other documents related to the Castlebrae project.
- 1.3 Approve the transfer of land at Craigmillar from the Housing Revenue Account to Communities and Families to facilitate the construction of the replacement Castlebrae High School on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.
- 1.4 Note the proposed realignment of the existing approved Communities and Families budget to ensure the delivery of priority projects.
- 1.5 Note the requirements for future learning estate capital projects which following further business case development will be submitted for consideration in the budget setting process for 2020-21 and beyond.

Alistair Gaw

Executive Director, Communities and Families

Contact: Crawford McGhie, Senior Manager – Estates and Operational Support

E-mail: crawford.mcghie@edinburgh.gov.uk | Tel: 0131 469 314



Communities and Families Learning Estate

2. Executive Summary

- 2.1 This report provides an update on the replacement Castlebrae High School project and approvals that are required for the project to proceed are recommended. An overview of current financial pressures in other committed learning estate projects and how these will be addressed is also provided.
- 2.2 A summary of future requirements for capital investment in the learning estate is provided which should be read in conjunction with the Capital Budget Strategy report elsewhere on this agenda.

3. Background

- 3.1 Communities and Families has a significant programme of investment in the learning estate to deliver over the next 10 years which is related to the growth of the city, replacement of existing facilities which are in poor condition and the increasing demand for Gaelic Medium Education (GME). Some of these projects have budgets allocated in the existing Capital Investment Programme (CIP). However, other projects require budgets to be established in February 2020 so the Council can continue to meet its statutory duty of providing education to all pupils in the city.
- 3.2 For the projects which are currently included in the CIP budgets were established based on the expected costs at initiation. For each project, more accurate cost requirements become known as the detailed design emerges and tender processes are undertaken and reflect current market conditions. The highest priority for Communities and Families is therefore to ensure appropriate budgets are in place for these committed projects so that construction can progress. This report therefore proposes reallocation of budgets within the overall approved Communities and Families CIP to ensure these priority projects can be delivered.
- 3.3 One of the current CIP projects where there is already enough budget allocated is the replacement for Castlebrae High School. However, when the budget was approved for this project it was requested that a report to Committee would be submitted providing an update before a construction contract was progressed.

- 3.4 The delivery of new housing on sites allocated in the Local Development Plan is now progressing at pace across the city and as outlined in the Local Development Plan Action Programmes from 2014 onwards this requires considerable investment in the learning estate including extension of existing schools, several new primary schools and potentially one new High School. If the budgets are not established in February 2020 for delivery of some of this infrastructure, then the Council will no longer be able to guarantee provision of education for all pupils in the city, which is a statutory requirement. These projects are therefore the second highest priority for investment in the learning estate.
- 3.5 Significant budgets are already aligned to improving the condition of existing properties in the learning estate and certain schools have been identified as requiring replacement based on the condition of existing facilities. Once the provision of statutory requirements has been delivered these projects addressing condition are the next highest priority for Communities and Families.
- 3.6 The remainder of capital investment projects which are currently Communities and Families unfunded priorities are those schools in the Wave 4 programme which have not been replaced during the PPP1, PP2 or Wave 3 investment programmes and have not been assessed for replacement based on condition alone. The commitment to provide a dedicated GME secondary school also falls into this category.
- 3.7 The remainder of this report outlines Communities and Families learning estate requirements based on these priorities. This report should be read in conjunction with the Capital Budget Strategy report elsewhere on this agenda, which sets out a framework for the funding of Council capital expenditure priorities.

4. Main report

Priority 1 – Committed Projects

Replacement Castlebrae High School

- 4.1 The detailed design phase for a replacement Castlebrae High School in Craigmillar Town Centre has been completed, planning permission has been secured and the construction is scheduled to begin in November 2019. The project is being delivered in partnership with Hub South East Scotland Ltd (Hubco) and the Contract has been prepared which is ready to sign to allow construction to commence.
- 4.2 As part of the Hubco process a final cost plan for the construction has been prepared and the contract value as well as other project costs can be met within the available budget. It is therefore recommended that Committee approve the Contract with Hub South East Scotland Ltd for the construction of the replacement Castlebrae High School can be progressed.
- 4.3 The current estimated total cost for Castlebrae High School is £34m which includes a construction contract value of £28.7m, a residual land value of £1m (£2.1m value reduced by the cost of site abnormalities and provision of wider regeneration elements

through the contract), other development costs, professional fees and an appropriate client contingency for a project of this scale.

- 4.4 The funding available for delivery of the project through the CIP, developers' contributions, expected land receipts and EDI dividend is £37.1m. It is therefore recommended that the contract for construction of the school through Hubco can be progressed. On this analysis, £3.1m of the CIP funding currently allocated to the project may be reallocated to meet some of the pressures with committed projects detailed below.
- 4.5 The land on which the new school will be constructed requires to be transferred to Communities and Families from the Housing Revenue Account and an appropriate value for the site requires to be recouped to meet Scottish Government best value requirements. The land value has been based on the drawdown formula for PARC land to produce a gross consideration. This will be reduced by the cost of site abnormalities and other shared site wide infrastructure costs. This value is included in the overall cost for the project indicated above and is affordable within the overall budget available for the project. It is therefore recommended that Committee approve the land transfer and associated financial transaction. The land has been declared surplus to operational requirements by the Executive Director of Place.

Other committed projects

- 4.6 The projects to replace Victoria Primary School, deliver a new primary school on Canaan Lane and construct an extension at Boroughmuir High School are committed projects in the CIP. Each of these projects have reached a stage in the design process, where updated cost estimates are available. For various reasons including the limited upfront availability of developers' contributions, abnormal design requirements and increased market costs being returned through the procurement process additional funding of £9.1m is required to meet the construction costs for this infrastructure.
- 4.7 To address this budget gap, a realignment of budgets within the Communities and Families CIP is proposed. As outlined above, £3m can be transferred from the budget available for Craigmillar High School. In addition, it is estimated that £3.7m can be reallocated from Broomhills primary school, as contributions received from developers have meant that the Council's capital budget can be reallocated to other Local Development Plan Action Plan priorities.
- 4.8 In relation to delivery timescales which need to be met, the first priority is the replacement of Victoria Primary School, followed by construction of the new Primary School in Canaan Lane and then the Boroughmuir High School extension. The Victoria and Canaan Lane projects can be delivered utilising the £6.7m that is currently available to be reallocated. As reallocation would not affect the delivery of any other committed project it can be done under the scheme of delegation although Committee is asked to note that these changes will be made to ensure the delivery of committed projects. The additional funding requirement for Boroughmuir High School will be considered as part of the budget setting process in February

2020 and a preliminary allocation to cover remaining pressures has been made in the Capital Strategy report which is being considered as a separate item on the agenda of this Committee.

Priority 2 – Local Development Plan Action Programme Projects

- 4.9 In February 2020, full budgets require to be established for the next wave of education infrastructure outlined as being required in the Local Development Plan Action Programme if Communities and Families are going to meet the statutory requirement of education provision. This includes 3 primary schools and one new High School. In future years, budgets will require to be established for another 3 primary schools required as a result of housing development in different areas of the city.
- 4.10 The minimum requirements which must be provided in line with the Local Development Plan Action Programme and legal agreements with developers are a 21 class new primary school with early years provision in West Edinburgh as part of the Maybury development site, an 11 class primary school with early years provision as part of the new Brunstane development in North East Edinburgh, a 14 class primary school with early years provision in the Builyeon Road development within South Queensferry and additional secondary capacity for 420 secondary pupils in West Edinburgh.
- 4.11 Extensions to existing schools are also required because of the pupils generated by Local Development Plan housing allocations. These projects are delivered through the rising rolls programme and an update on requirements is provided to Committee every December once the annual update of the school roll projections has been completed.

Priority 3 – Condition based Replacement Projects

- 4.12 There are two schools which have been identified as requiring replacement due to their condition. The first is Currie High School which due to its structural condition is the top priority for replacement in the Wave 4 programme as reported to the Finance and Resources Committee on 11 October 2018. The cost of this project is currently estimated to be £43m and the Scottish Government has announced that funding for the project will be included in the initial phase of its Learning Estate Investment Programme. A feasibility study and masterplan are being progressed funded through the Hub South East Scotland enabling fund process.
- 4.13 The other school identified for replacement due to condition alone is St Catherine's RC Primary School. A budget of £12.8m for this project was allocated in the 2019-2020 Communities and Families CIP. However, this project is not being progressed until the outcome of the Service Design process for the Gracemount Area is known as further funding may need to be allocated to a project which includes delivery of a replacement St Catherine's Primary School within a wider improvement programme that provides enhanced community facilities, public realm and other public sector services.

Priority 4 – Schools identified for Replacement or Construction

4.14 The remaining schools which have been identified as requiring replacement, refurbishment or construction are those in the Wave 4 programme (except Currie High School which is identified in priority 3) and the requirement for a dedicated GME secondary facility which was indicated in the GME Growth and Development Strategy approved by the Education, Children and Families Committee in October 2018.

4.15 The remaining Wave 4 schools are Trinity Academy, Wester Hailes Education Centre, Liberton High School and Balerno High School. The Education, Children and Families requested that masterplans and feasibility studies for each of these schools be progressed.

4.16 A summary of the current progress at each school is provided below:

Trinity Academy – Phase 1 of this project, provision of new PE facilities on the Bangholm site, is funded and progressing. A preferred option for delivery of Phase 2 is being prepared and will be presented to the Education, Children and Families Committee in December for consideration.

Wester Hailes Education Centre – Through the Wester Hailes Education Working Group a staged approach to investment in this facility has been agreed. The design team have prepared initial proposals and costs for implementing a first stage of investment which focuses on provision of an all-weather sports pitch and refurbishment and reorganisation of the PE and community building.

Liberton High School – Initial engagement sessions have been held with staff, pupils and parents. A design team has been commissioned to prepare a masterplan for redevelopment of the school and further engagement will take place with all relevant stakeholders over the remainder of this year.

Balerno High School – As this was the lowest ranked project in the Wave 4 assessment a masterplan for the school will be developed when resources become available.

4.17 An indication of the funding available for these projects is provided in the Capital Budget Strategy Report which is being considered as a separate item on the agenda of this Committee. The budget availability does not fully align to requirements and Communities and Families will continue to work with finance to develop more detailed funding business cases for these projects as part of the budget setting process that culminates in February 2020. However, it should be noted that funding for all the Communities and Families project requirements may not be available immediately and use of available resources will need to be prioritised based on the categorisation shown in this report.

Project Development Costs

4.18 A review of how the early stages of major Communities and Families capital projects are funded was carried out recently and reported to the Asset Management Board on 23 August 2019. This report is included in appendix 1. The report

recommends that a development budget for capital projects requires to be established so that appropriate resources can be commissioned to assist with the preparation of a strategic education brief, a technical brief, an operational brief, a procurement strategy, capital budget requirements and a whole life costing exercise which all need to be completed for the detailed business case required before the Asset Management Board will recommend creation of a full capital budget to the Finance and Resources Committee.

5. Next Steps

- 5.1 If the recommendations in this report are approved then the next steps are:
- 5.2 Award the Contract for the construction of the replacement Castlebrae High School to Hub South East Scotland Ltd.
- 5.3 Complete the land transfer from Housing to Communities and Families for the new Castlebrae High School site.
- 5.4 Progress with the delivery of committed projects following the budget realignments outlined in this report.
- 5.5 Complete further work on necessary business cases and remit future budget requirements for consideration during the budget setting process in February 2020.

6. Financial impact

Capital

- 6.1 The Capital Budget Strategy report, elsewhere on this agenda, sets out a framework whereby the Council's capital priorities can be funded. As funding availability does not fully match Communities and Families requirements, work with Finance will continue to develop more detailed funding business cases for projects as part of the budget setting process that culminates in February 2020. However, it should be noted that funding for all the Communities and Families project requirements may not be available immediately and use of available resources will need to be prioritised based on the categorisation shown in this report.

Project Development Costs

- 6.2 The report recommends the development of a project development budget, which would permit the development of detailed project business cases. This cost is incorporated within the overall project cost estimates contained in this report. However, as part of the budget process a mechanism will be developed to allow funding to be released prior to project approval to fund project development.

Revenue

- 6.3 A report to the Finance and Resources Committee on 23 May 2019 and referred to the Education Children and Families Committee on 16 August 2019 confirmed (in

paragraph 6.3) that further property running cost funding has been included within the budget framework to reflect rising school rolls; Wave 4 school programme and additional or expanded facilities linked to the Local Development Plan.

- 6.4 The other main revenue costs which require to be accounted for in future budgets are the school staffing costs and the finance team are aware of the scale of investment over the next 10 years so that the staffing budget implications can be taken into account during future budget setting processes.

7. Stakeholder/Community Impact

- 7.1 Engagement with all key stakeholders, including elected members and school communities will be undertaken through both informal and statutory consultation. All statutory consultations will be conducted in line with the procedures set out in the Schools (Consultation) (Scotland) Act 2010 as amended by the Children and Young People (Scotland) Act 2014.

8. Background reading/external references

- 8.1 [Wave 4 Investment Programme](#), Finance and Resources Committee, 11 October 2018
- 8.2 [LDP Action Programme](#), January 2019

9. Appendices

Appendix 1 – Asset Management Board Project Delivery Review

APPENDIX 1

Asset Management Board

23 August 2019

Edinburgh's Learning Estate – Project Delivery Review

1. Update

- 1.1 The diagram in appendix 1 outlines the key processes and timelines involved in delivering a Learning Estate investment project. The Learning Estate Co-ordination Group exists to oversee the development and delivery of outline business cases; committee reports; feasibility studies and detailed business cases and strategic briefs for individual learning estate investment projects. It is led by the Learning Estate Planning Team in Communities and Families with support from colleagues in Schools and Lifelong Learning, Property and Facilities Management and Finance. The Learning Estate Co-ordination Group ensures that any future Learning Estate investment will deliver “**more than a school**” by considering opportunities for integration, inclusion, estate rationalisation and ensuring that any community engagement carried out as part of the project follows the principles of the Service Design process.
- 1.2 The Learning Estate Planning Team has the resources to co-ordinate the delivery of an outline business case, carry out the necessary educational related stakeholder engagement and provide the Senior Responsible Officer role for all the learning estate programmes and associated projects. However, in order to deliver a comprehensive detailed business case at Phase 3 a strategic education brief, a technical brief, an operational brief, a procurement strategy, capital budget requirements and a whole life costing exercise need to be completed in advance.
- 1.3 The current structures and commissioning process within the Council do not provide business, programme/project management or technical/design support until a capital budget is established for the project. There is no dedicated business support to service the Learning Estate Co-ordination Group meetings and no technical and design input or programme/project management support between Gateway 1 and Gateway 2. This results in the very important stages of significant investment projects being delivered in an ad-hoc manner whenever resources are available from different sources. Given the significant benefits – e.g. those aligned to the government's learning estate investment guiding principles - that can arise

from investment in the learning estate a more structured and focused approach to programme and project management and early design is required.

- 1.4 It was therefore agreed the Learning Estate Co-ordination Group would carry out a review of the current commissioning process and the professional project co-ordination and technical support services provided through fees once a capital project is established.
- 1.5 The group has met to carry out this review and the recommendations are as follows:
 - 1.5.1 The school estate roll projections will continue to be updated annually and the future project requirements report will be submitted to the Education, Children and Families Committee every December. In advance of this report outline business cases should be submitted to the Asset Management Board for consideration.
 - 1.5.2 Following the Committee, the relevant members of a design team (including engagement and whole life costing specialists where required) would be commissioned on a fee-based approach to assist with completion of RIBA stages 0 and 1 and the preparation of the detailed business case including strategic education brief, a technical brief, an operational brief, a procurement strategy, capital budget requirements and a whole life costing exercise. Capital project budgets will not be established at this point therefore consideration has to be given to the creation of a general project development budget to cover commissioning costs.
 - 1.5.3 Full input from all relevant Council employees during this stage is vital but it can't be paid for from capital project budgets as they are not available. Therefore, consideration must also be given to charging any necessary internal costs to a general project development budget.
 - 1.5.4 The detailed business case including strategic education brief, a technical brief, an operational brief, a procurement strategy, capital budget requirements and whole life costing analysis will then be submitted to the Asset Management Board for consideration before being submitted to the Finance and Resources Committee and Full Council as appropriate as part of the normal budget setting process.
 - 1.5.5 Once a full budget is established the Learning Estate Co-ordination Group will take direct responsibility for securing all the necessary project support, design team and contractors for delivery and construction of all Learning Estate projects.

Appendix 1: Learning Estate Project Early Stages Programme



